Annex "A," Subparagraph 1q, Sociological Background

PUBLIC WELFARE

132 Clothing. Since the climate of the Danube basin is continental and therefore characterized by a wide temperature range, the population must be prepared to wear varying types of apparel befitting the differing seasons.

291 In our century economic forces and the influence of urbanization have caused many items of the native folk dress to be replaced by European styles of dress. Although some elaborately ornamented folk costumes are still being worn on holidays, a discussion of this clothing belongs more properly to the section on folk art or crafts.[1]

511 291 At present there is a great shortage of footwear among the Magyar peasants. This is a lesser problem in summer when most of them are accustomed to going bare-footed. In the cold, snowy winter months, high top boots (csizma) are the preferred footwear of Hungarian men and women alike. Before World War II high top boots were worn both at work and with the holiday dress. Today, since they have practically disappeared from the stores, they are being worn exclusively as holiday attire. Under the influence of the military, stout laced boots were adopted by the peasants during the shortages of World War II but even

[1] [See cont. 116, p. 94-5 -- Analyst]

[511] 291 these are difficult to obtain in the villages. Women also wear slippers or cheap manufactured shoes.

In the summer, the legs of the Magyar peasant men are covered with light pantaloons or with white linen trousers (gatya) so loose-fitting and so folded as to suggest skirts, while in winter they wear tight-fitting pantaloons inside their boots. At work they often wear large square blue aprons. The skirts of the women are also voluminous, falling in ample folds or pleated. Longer skirts are usually worn by the older women. The cut of the skirts varies also according to region; the women of the Great Plains wear the longest ones, which reach down to their ankles, while the Matyó skirt ends quite above the knee. Starched petticoats are worn by many women and, here again, the Matyó are the most extravagant--they use for their best set of skirts and petticoats over one hundred yards of material,--or at least they used to, when such materials were more readily available. The women wear aprons of different sizes and shapes.

In summer the peasant men wear either manufactured shirts or short-waisted homemade linen shirts with very wide sleeves and laced necks, over which a coarse linen coat is worn. In winter, they top the shirt with a broadcloth waistcoat or coat and a heavy overcoat,

Catholic families display chear sacred images and holy water fonts, while 353
reproductions of historic paintings and family pictures are common on the walls of Protestant houses. The main girder and other beams, which are often exposed below the ceiling, may serve as clothes racks or as shelves for odds and ends.

. Standard of living. The actual standard of living of the 511
Magyars is difficult to express in figures. The data released by the government never gives details and offers only vague percentages evaluated with reference to different periods of time for which few absolute figures are available. Reports from refugees are sporadic and refer to prices and incomes in specific localities--all too scarce to be evaluated numerically.

Probably one would be safe to say that in general the standard of living in Hungary is below its pre-war level and well below the present West European average. The situation among the pariahs of the regime, the forced laborers and deportees, is even worse. At the present time, there is a scarcity of manufactured goods and clothing, which is particularly acute in the villages. Food rationing was abolished after the war, but this does not mean that the cities and

511 villages are yet properly supplied. The shortage of food, of course, is more acutely in the cities. Moreover, the purchasing power of the salaries--and practically everyone in a Communist society is a salaried worker--is definitely low.

[465] The average monthly income of an independent farmer owning 5-10 acres of land was between 400-500 forints in 1954. At the same time, kolkhoz officials and agronomists were making around 1,000 forints.

435 511 Below are listed some of the 1954 prices in various Magyar villages which will perhaps give some indication of how far the average wages could go:

	forints
Rice (1 kg.)	26.00
Sugar (1 kg.)	10.60
Smoked lard (1 kg.)	47.00
Sausage (1 kg.)	50.00
Man's suit (cheapest)	600.00
Man's shirt (cheapest)	80.00
Man's shoes (one pair)	300.00

511 433 Manufactured goods during this time were not only expensive but scarce. For instance, 30,000 plows were needed in the villages in 1954 in order to replace the old ones, but, according to government sources, only 2,000 reached the village stores. The same situation

exists with other small agricultural implements and tools as well as with household goods, such as radios. Furthermore, the quality of industrial products distributed in the small towns is well known to be the worst [redacted]. The distribution of goods is poorly organized; independently operating local merchants have been forced out of business, their shops confiscated and either closed or reopened as State-owned stores with the former owner serving in the capacity of clerk.

As has been mentioned in Subparagraph 1[1], there is practically no plumbing system in the villages of Hungary and the absence of sewer systems adds to the pollution of shallow wells and, in turn, to the overall unsanitary conditions in the villages.

The recent electrification of the country has been intended primarily for heavy industry and not for the individual consumer. High tension power lines were built from 1950 to 1953 between the following cities, mostly industrial centers:

Diósgyör	--	Ozd
Szolnok	--	Szeged
Inota	--	Tárnok
Tárnok	--	Albertfalva
Mátra	--	Nagybátony
Debrecen	--	Téglás

1 [See cat. 116, pp. 148-149 -- Analyst]

The actual living standard, although probably lower than "A"-1q-13 511
in any peace-time year before World War II, is not so low as to cause general unrest. The Hungarian economy, however, rests on a precarious foundation and a poor crop year can drive the living standard down considerably below normal. This was the case in 1953 when the Berlin rioting and the unrest resulting from a widespread drop in agricultural and industrial production forced the Communists to introduce the "New Course" and to shift the economic stress from heavy industry to consumer goods.

Delinquency, begging and vagabondage are practically non- 735 738
existent in Hungary, or at least they are not noticeable because the police are carefully rounding up those who seem to have nothing to do and putting them to work on various public projects. No reliable figures on criminality are available. Judging from the court columns 687
appearing in the daily newspapers, however, one gets the impression that "crimes against socialist property" are quite frequent--the pilfering of materials or, more seldom, tools, from the workshops, and fraud in the administration of socialized industrial or agricultural concerns. Articles thundering against the workers' tardiness or failure to deliver grain are another commonplace in the newspapers. [461]

The poverty of the country prevents the development of 000

The peasants, who are even more eager than we to buy, fret 471
a lot because of this. If we were to have the money, we could go anywhere to buy. Let's say to some distant part where a lord had too many expensive sweethearts in Budapest and has to sell. But the peasants already have some land. They would like to get more next to their piece or in the same neighbourhood. But the lords will not sell. In such parts the peasants have only one 847
child. This is called the "Egyke" custom: the "one-liness". Our peasants learned this from German peasants, to whom our lords sold some land in the south-western part of our country. These peasants have only one child. The rest they "make-away", as they say. They don't want their land to become tinier and tinier bits because of the children. After one child the peasant-women go to the "old one" of the village. This is always a wise old woman. She helps them to "make the child away". The 000
peasant-women in the districts where "one-liness" is a custom are mostly bad-tempered. They nag their men. They have much lust in their bodies. The carryings on in those villages! The luxury! The food! They eat meat every day. They have silk dresses. We are, of course, mostly barefooted. Some of us never have boots on our feet, except when we are in the army. The better off among us have boots. Of course they never wear them for work. If they have to go to the court, or sometimes if they go to the village to church, they proudly carry them on their shoulders, and before arriving in the city or village they put them on. You can save them for your son this way. And it is a proud feeling indeed to leave your son boots which he can put on when he grows up.

Oh, yes. The harvesters are here. Some of us stand about the stables and get acquainted. Others sit in front of the huts and talk. We talk a lot about our own affairs. Who has two hens, whose son has become a gentleman and sends some money home. And so on.

Our conditions have not changed very much since 1867. 566
They were the same before the first big war of our lords, and 511●
they are the same now. A serf-servant on our *pusztas* gets twelve to forty *pengœs* a year. This is about ten to thirty shillings in your money. So the cash an average *puszta* family gets a year is never less than ten shillings and never more than thirty. In addition, we get 1200 pounds of wheat, 1000 pounds of rye and 1000 pounds of barley. We have the right to keep poultry about the house, but for every hen we have to give five eggs a year to the estate. We—a family of five or six or seven—are entitled, moreover, to 300 standard square feet of garden and 1600

●511 standard square of maize or potato field. But the garden and
566 this bit of field must be worked by the women and children. The men must work for the estate.

This does not mean very much to you. But during the present war you have learnt what rationing means. So you will know how we live if we tell you that from all this an average family has one-third of a pound of bread as its daily ration and a sixth of a pound of "*tészta*", which is something like noodles. The potato ration is about two potatoes a day for the whole family. In addition to this we can sometimes eat some onions and green paprika. We still cannot afford, of course, to eat the war-time bread-ration of our lords, which is half a pound a day.

Some students and writers who made a study of our lives, as Englishmen study savages, have calculated that if we take into account everything we get—money, food, the value of our huts and so on—then our daily income is between a penny and two-pence. And for this we work never less than fourteen, and mostly sixteen to eighteen, and during harvest even twenty, hours a day. Before the war, when some of us agitated for a law saying that we should not work more than twelve hours, the gendarmes interfered, and there was shooting. We will tell you about this later.

000 One of us who was educated and became a writer told us a funny thing. He said that gentlemen of enormous learning in the West complained that the world of today cannot get information about the daily life of the workers in the Dark Ages. How amusing! They should come and visit our *pusztas*. Most maps say that we are in Central Europe. Anyhow, nothing has changed here. Our huts are the same as they were a thousand years ago. The laws are the same.

In the Chapel of the Manor there is a picture of the Day of Judgement. In the top corner of the picture there are angels in great splendour, and below—everywhere—in deep darkness there are the struggling masses to be judged. If you want to understand what it felt like to be the masses in the Dark Ages or what it feels like to be us, you should think about this picture. Sharp brilliance, splendour, richness, joy in the tiny bit at the top; darkness and misery for the huge masses below.

It may be that you are not prepared to believe what we have already told and are going to tell you. Do you think we should have the impudence to lie to you? Do you think we should dare to send out our cry to you, hoping for help, if we did not know that the truth is with us?

3:Kemeny G-5 (1945-48)195 EC1 Hungary EC1

shortage in vegetable food. Harvests in maize and sugar-beet were, however, disappointing. Failure of the maize crop explains why supplies in meat continued to be scarce.

It may be recalled that during the first Plan year the country laboured under a food shortage, with all its implications for prices and wages. The period August-December 1948 was the first since the monetary reform in which the cost of food declined. A reversal in the trend of agricultural prices, due to causes already explained, was the prelude to this change.

The extent of the improvement brought about by bigger crops might be illustrated by comparing the peak of the retail food index in February 1948 with the low point of that year in September: 159·9 against 113·9.[1] Prices then caught up again with a concomitant revival of the black market, as apportionment even of the low rations became irregular. It was a poor record of the state of efficiency in food administration. Political headquarters accused the peasants of sabotage. The countermeasures taken were not to produce palpable results till the following year.

Wage policy was adapted to the change of conditions. In contrast with the line pursued at the start in August 1947, the second Plan period did not open with a general rise in wages.[2] The pay-roll in manufacturing industry grew roughly in proportion to the expansion of employment. Average wages, as shown by official indices, were kept stable in mining and appeared to decrease slightly in manufacturing industry. The Government and trade unions were able to follow this line owing to increased food supplies reflected in declining official prices and owing to a diminishing dependence on the black market.

The publication of index numbers, as well as of other relevant statistical data, ceased in 1949. The National Planning Department, in a statement released to the press, claimed that real wages had increased by 20 per cent during the first half of the year. In the second half a further general rise by 5 per cent was recorded. In the earlier periods the upward movement of money wages had been induced and accelerated by soaring food prices. This time the cost of living was diminishing. The harvest of 1949 further improved vegetable food supplies. It was followed by the de-rationing of bread and by the practical disappearance of the black market for food. According to official statements the cost of living decreased by 7·4 per cent and the cost of food dropped by 12·4 per cent during 1949. Wage increases gained therefore a different significance from those previously

[1] See Table IV in the Appendix, pp. 137–8. [2] See p. 50.

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435 465 •511 granted; their effect on purchasing power appeared reinforced by the reduced cost of living. These developments, combined with an increased output of manufactured consumer goods, resulted in improved living conditions. There can be little doubt that more abundant supplies resulted in an appreciably higher standard of living in comparison with the level at the start of the Plan, though statistical data revealing the degree of improvement are lacking.

INVESTMENT AND FINANCE

652 454 The first and one of the most important implications of the decision to shorten the total period of the Plan was the speeding up of the capital programme. For the financial side of the programme, the Government disposed of a banking system shaped according to the Soviet pattern, and entirely under their command. The bulk of investment was naturally financed, as before, out of the budget. It became a characteristic feature of estimates of investment that they represented minimum programmes. For the short second Plan period the estimate had been 1,100 million forint, while actual investment worked out at 1,530 million. For 1949 the corresponding figures were 4,300 million and 5,660 million forint. In a final report the latter amount appears to be raised by a further 630 million forint. In view of the tightness of financial controls, any exceeding of the capital programme (unless consequential on authorized increases in wages or prices) was impossible without a previous screening and consent of the authorities. An extension of investment, whether initiated by some Government agency or by the executives of one of the concerns, was to be fitted into the monthly financial plan, which was drawn up by the National Planning Department in co-operation with the Ministry of Finance, and had to be approved by the Supreme Economic Council. As the speeding up of the capital programme mostly affected heavy industry the extension of which was, not solely for economic reasons, the concern of the Government, initiative evidently lay mostly with the Government. Both the Government and the Planning Department were intent on extending the capital programme to the limit of technical possibility.

The increasing financial strain is reflected in the following figures:

	Monthly Average of Investment (million forint)
Plan period I	208
Plan period II	306
Plan Period III	470–520

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433 second Plan, that for the years 1950–4? If so over-fulfilment would bear fruit in the future. On the other hand was the excess in investment due to miscalculations? Or was it intended to compensate for the slow progress in labour efficiency? Under democratic institutions such problems would be freely and thoroughly discussed. Under totalitarian rule the fact that investment exceeds the estimates by thousands of millions of forints is recorded with the same monotonous complacency as a rise in current production. But if investment is carried through quite out of proportion to original estimates, without being warranted by an adequate rise in production, it becomes highly questionable whether such a proceeding can be termed economic planning.

Until recently a common feature of planning in the countries of Eastern Europe has been, in contrast with a country with full employment, the prospect of drawing on reserves of labour. In the case of a full utilization of resources the several parts of the plan have to be synchronized, and, if the productivity of labour falls short of requirements, production will fail to reach the target. Under conditions of planning in the East of Europe the statistical returns of production may appear highly satisfactory, yet, in proportion to the labour force and the capital equipment employed, they represent results far short of successful planning.

511 465 The original aims of the Plan, officially confirmed later on, were:

(1) To reconstruct and re-equip Hungarian economy;
(2) To raise standards of living.

The first objective has been achieved. As to the second it may be questioned whether the increase in well-being was proportionate to the efforts made. The concrete programme of the Plan in the field of consumption was slightly to improve upon pre-war standards. By the end it was claimed (yet not proved) that the real earnings of the workers would be 40 per cent above pre-war level. This claim can be dismissed. Only by neglecting the impact of the black market on the cost of living could it be maintained that pre-war standards were reached as soon as mid-1948. As only average wage-rates for the whole of manufacturing industry were released, the lack of detailed information in a period of changing wage structure obscured the real position. The gap between the lower and better-paid categories of worker, which had previously been quite substantial in Hungary, was narrowed. Extremely low pre-war wage-rates, like those in the textile industry, were improved. On the other hand groups, such as that of the printers, which had formerly been very favourably placed, found themselves nearer the average.

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been very favourably placed, found themselves nearer the average.

No doubt the improvements in the standard of living, brought about under the Plan, were conspicuous if the comparison is made with the miserable level of 1946–7. Some indication is given on general standards in the first Plan year. According to a computation published by the Central Statistical Office, during the period May 1947 to February 1948, food required 53 per cent of the total outlay of a typical Budapest working-class family in contrast to 40 per cent in 1938. Private sources estimated the percentage of income spent on food even as high as 60 per cent. It is true, on the other hand, that the relative proportion spent on rent was greatly diminished, as it was fixed at a fraction of the pre-war level.

The opinion of people who observed conditions in Hungary during the second half of 1949 was that food was abundant, except for certain animal products. According to some observers, workers and employees enjoying average earnings disposed of purchasing power sufficient to provide the necessary food for themselves and their families, but hardly anything was left from their incomes after meeting needs for primary necessities and paying compulsory contributions. It is only by comparison with conditions preceding the Plan, that a visible improvement not only in food but also in clothing was recorded. An official computation, which compares the breakdown of the workers' family budget in 1949 with that in the late twenties, substantiates in broad lines the foregoing observations.

BREAKDOWN OF THE FAMILY BUDGET OF WORKERS

	1928–9	*1949*
	Percentage of total spending	
Food	52·6	45·5
Clothing	11·5	19·0
Rent	12·7	2·8
Fuel and light	6·1	5·4
Sundries	17·1	27·3
Total	100·0	100·0

The ratio of spending on food obviously declined as wages went up in the course of the Plan (45·5 per cent in 1949 compared with 53 per cent in 1947–8). Clothing absorbed in 1949 a substantially higher quota of the income than in the inter-war period, manufactured products being extremely expensive in terms of average income. Spending for needs other than bare necessities is summarized under the item 'sundries'. In 1949 their ratio appears to be considerably higher than earlier. The improvement is, however, illusory for the workers, as from 1949

3:Kemeny G-5 (1945-48)1952 EC1 Hungary EC1

511 onwards their contribution to the Five-year Plan loan is included in that item.

511 466 The hourly average wage in manufactures, 1·70 forint in 1946–7, rose to 2·71 in 1947–8 and further to 3·50 by mid-1949. As no changes of considerable extent occurred in the ensuing half of the year, the last figure may be assumed for the end of the Plan. In spite of shifts in the price level those figures represent appreciable relative improvement in real terms. Yet results were poor as shown by international comparison. According to the computation of the Economic Commission for Europe,[1] based on average earnings in mid-1949, the Hungarian worker had to work 19 minutes (the British worker 11 minutes) in order to earn the equivalent for 1 kilogramme of bread; the equivalent for 1 kilogramme of meat in terms of working time was 160 (84) minutes, for bacon 430 (120), and for sugar 110 (22). It could hardly be assumed that the relative position of the Hungarian worker in terms of manufactured products would be more favourable than that regarding food supplies.

Whatever improvement was attained, the rise in the standard of living of the wage-earners was, as officially stressed, not exclusively due to the increasing supply of consumer goods. To a certain extent the redistribution of incomes also contributed to this development. The progress in the social condition of the work-people had its counterpart in the deterioration of that of the middle classes as a result of a deliberate policy.

AN INDUSTRIAL HIGH-COST AREA

439 It has been seen that the Three-year Plan was drawn up as a national plan. Economic co-operation with the Soviet Union and the Russian-dominated countries was, of course, encouraged. Yet it was by promoting closer trade relations, and not by attempts to co-ordinate planning, that this was brought about. The exchange of commodities on an increasing scale was possibly kept in view at a preparatory stage, and it may also have entailed modification of the Plan in the course of its execution. But this sort of co-ordination of economic activities is different from that to be achieved by joint planning, which would modify the division of labour among the different national industries. That result might perhaps be brought about through closer trade relations, but trade as conducted between the countries of Eastern Europe does not itself give rise to a rational division of labour. When international competition is excluded and a barter trade is carried on on a bilateral basis, the inter-

[1] See Appendix, Table XII, p. 141.

The Standard of Living

According to the blueprint, the volume of goods available for consumption, the measure of the general standard of living, was to be 29 percent greater in the first year of the plan, and 77 percent greater in the third year than in 1946-47. Relative to prewar standards, the increases were to result in a standard of 76 percent in the first, 90 percent in the second and 104 percent in the third year. In 1946-47 the volume of goods available for consumption was given as 66 percent of prewar.

It was claimed that a level corresponding to 86 percent of prewar was reached in the first year and that in 1949 the level surpassed that of prewar by 37 percent. Thus, relative to 1946-47, the increase was 30 percent in the first year and 108 percent in the period as a whole.[41] Due to the radical redistribution of incomes, the improvement in the standard of living of the workers was even greater. Real wages in the manufacturing industry were claimed to have been 40 percent above the 1938 level.

A careful study of available data showed that the national income figures were overestimates: first, through not accounting properly for depreciation and through some rather optimistic assumptions concerning the efficiency of production; second, through not accounting for the accumulation of stocks which must have been considerable. On the first count, the estimates have to be decreased by up to 5 percent. Accounting for the accumulation of stocks requires an even greater reduction in the volume of goods available for consumption.

According to the First Year Report, in 1947-48 the volume of goods available for consumption was 13.9 billion forints against 16.3 billions in 1938. Of this, 440 millions were the result of the adverse balance of trade, an unexpected development. After the adjustments for the optimistic assumptions in estimating the national income and deducting 1.0 billion forints for the increase in inventories (which is only half of the increase

41. A comparison between the blueprint and the First Year Report, the Final Report and various official pronouncements is difficult because, as it was pointed out above, the blueprint and the reports operate with a different concept of the national income and also because, due to some adjustments, they use different figures for 1946-47. The national income and the volume of goods available for consumption as given in the report are somewhat smaller than in the blueprint. Thus the 1946-47 level relative to prewar and the increases relative to 1946-47 become different. The percentages quoted in the text have been adjusted to make them conform with those given in the reports.

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calculated as necessary in the Social Democratic plan), the volume is reduced to 12.1 billions. Although still an appreciable improvement over 1946-47, this allowed a standard of living about 72 percent of prewar in the best case and conformed more with general everyday experience than the figure claimed.

A check on the 1949 figure is more difficult because the details of the calculation are not known. Working with the estimates of the blueprint, the volume of goods available for consumption appears to have been 18.9 billion forints at the utmost. Knocking off 5 percent for overestimating the national income and deducting 1.5 billion forints for the increase in inventories, which is still much lower than the amount given in the Social Democratic plan, the volume of goods becomes 16.1 billion forints. While 16 percent above the 1947-48 volume, this is slightly below prewar.[42]

However, the increase in the volume of goods relative to prewar is, by itself, misleading as an indicator of improvement in the general standard of living. Due to the great emphasis on heavy industry, a very much larger proportion of total output consisted of construction goods than had been the case before the war and had thus no immediate effect on the standard of living of the population. As there are reasons to believe that some of the construction goods were not construction goods in the ordinary sense, but were intended to increase the defensive powers of the country, their effect on the standard of living is even more questionable.

But even assuming that the character of output had not changed, any increase in the volume of goods available for consumption could still be felt as an appreciable improvement — provided it was more or less uniformly distributed — in comparison with the great misery of the first two postwar years. It is undeniable that the excessively large incomes of prewar Hungary had been eliminated and that the redistribution of the national income in itself enabled the authorities to improve the lot of some groups. But, at the same time, new inequalities were introduced, even if of a smaller order. It was officially stated that the number of new recruits in the administration was 20,000. If the party hierarchy is added, the figure becomes considerably greater. These people improved their standards considerably by changing their

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42. According to preliminary calculation of the National Planning Office at the end of 1948, it was 17.2 billion forints; their estimate of the increase in inventories in 1949 was 0.9 billion forints. True consumption would thus appear to be 16.3 billion forints at January 1947 prices.

The principal figures are summarized in Table VII in the Appendix.

status: climbing into the administrative grade from that of the factory worker or the low clerical grade. There is a third, even more important group which enjoys a privileged position, the police force, which is very much better paid than the smaller police force of the prewar days. Apart from those privileged groups, the mass of the workers did not receive uniform treatment. The miners, however, enjoyed especially privileged treatment, while the shock workers of all trades comprised still another privileged group. To these must be added a large proportion of the new owners of subsistence farms, about half a million without dependents, who proved to be successful small farmers, and who now enjoy a higher standard of living than they did before the war. All these favoured groups add up to something like one seventh to one eighth of the gainfully employed population. The rest have to be content with what remains of the national production. When collectivization is achieved, the rise of the favoured groups will be considerably smaller.

The official claims of a great and general improvement in the standard of living appear somewhat suspicious in the light of the pronouncements themselves, which do not fail to pay tribute to the great and enduring effort and sacrifice of the people who made possible the execution of the Three Year Plan. If the general standard of living really doubled in two and a half years, surpassing the prewar standard by 37 percent in 1949, and the increase was accompanied, as asserted, by an improvement in general working conditions, enduring sacrifice would not have been necessary.

Appraisal

On the whole, the high rate of recovery characteristic of Hungary since the war was maintained under the Three Year Plan and the national income reached a level exceeding the prewar figure by about 10-20 percent. Industrial expansion in 1938-1944 provided increased potentialities and, in spite of war damage, activity in the first two postwar years provided a good start. But the achievements required very great efforts and sacrifice and were not accompanied by a similar increase in the volume of goods available for consumption.

The increase in production was more the result of the production drive than the investment program, the effects of which could not be immediately felt. In the production drive, incentives in the form of differential wage rates and social recognition were applied, together with an elaborate system of control

185 X 461 and strict enforcement. If ordinary incentives failed and the increase in output was not rapid enough, there was no hesitation to apply ruthless methods. It is a matter of speculation to what extent the results achieved were due to the one or to the other.

185 X The goals set in the Three Year Plan were ambitious but were, on the whole, realistic. With few exceptions, the results claimed seemed to be consistent and do not look improbable or spurious.

The soundness of the investment program was open to more criticism on account of its overambitious size, its emphasis on heavy industry, and its neglect of agriculture, the largest single industry of the country.

● [511] Although the heavy investment program prevented the people from reaping the full benefits of their effort, there has been an improvement in the standard of living, even if much smaller than the official figures suggested. The improvement was very unevenly spread and, except for smaller groups in a privileged position, could not have been appreciable. However, considering how low the postwar standards had been, even small improvements meant much and must have been appreciated. The price of the improvement was a great restriction in choice of goods for the consumer, intensification of work and loss of liberties. Underlying principles of the Hungarian Three Year Plan show a similarity to the plans of reconstruction in the other so-called "satellite" countries and, in some ways, also to the First Five Year Plan of the Soviet Union. They all emphasize the development of heavy industry, and particularly of engineering, as the driving force of economic development even in countries which are poor in mineral wealth. They also show the same tendency to self-sufficiency and to reorientation to the Iron Curtain area. Apart from these common characteristics, there is some variation in detail corresponding to the great differences in the level of economic organization.

In carrying out the Hungarian Three Year Plan many diverse problems were encountered. First, the new administrative personnel lacked experience even in routine administration, not to mention a new and large-scale operation like the preparation and control of an overall economic plan. There were many complaints in high official quarters of inadequate preparation, overgrowth of bureaucratic control, mismanagement and lack of coordination. Second, there were difficulties due to unpredictability in agricultural production, whether due to the vagaries of the weather or to deliberate action. Third, there were difficulties due to unpredictability in foreign trade. On official

Standard of Living

In introducing the First Five Year Plan, it was stated that the overall rise in the standard of living relative to 1949 will be 35 percent. This represents a considerable reduction against the rises assumed in the preliminary calculations which ranged between 54 and 65 percent. The planned increase would bring the per capita level to 85 percent above prewar. The aggregate volume of goods available for consumption will be 40 percent greater. The increase of the population pulls the per capita figure down to 35 percent.

The increase in food consumption would be on the same level as the overall increase, that is, 35 percent. Meat, fat, sugar, milk and milk products were cited as specific cases where larger increases would be attained. The consumption of manufactured goods will increase at a faster rate. The specific instances cited were cotton fabrics with an increase of 40 percent, woolen fabrics with 51 percent, leather shoes and boots with 95 percent and rubber boots with 81 percent.

An important factor in improving the standard of living will be the improvement in housing and social services, including schools. The schools were overcrowded and the educational reform of 1945 swelled the number of pupils.

The crucial test of the rise in the overall standard of living is the increase in the volume of goods available for consumption. Available information is scanty and in the absence of more detailed data only guarded guesses can be made, especially as even the starting point, the standard of living in 1949, cannot be measured with a fair degree of accuracy.

Considering the potentialities and present levels of productivity in Hungary, an increase in the national income of 63 percent in five years cannot be ruled out as illusory, although it would require very great effort and very efficient direction and control. As the level of productivity in 1949 was considerably greater than it had been when the Three Year Plan was launched, a relatively small additional increase required far greater skill and effort. If it is achieved, the investment program, as planned, would not in itself rule out an increase of 30-40 percent in the volume of goods. However, while the investment program can be planned in great detail and can be executed with rigorous adherence to plans, the size of the national income and with it the volume of goods available for consumption, are predictions subject to a wide margin of error. Agriculture is still the largest single industry of the country and the food supply, the basic factor in the standard of living, is subject to the vagaries

9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

threshing, etc. are done centrally. Many big owners, of course, own several estates, and often lease some of them.

Manual labour is very extensively used, even on the largest estates, which employ many more labourers than modern farms of the same size in England and, correspondingly, fewer machines. This is partly due to habit, partly to shortage of capital which has prevented the landlords from buying machinery. But it is also due to deliberate government policy; for the landlords were encouraged to go on using manual labour in order to save the farm-hands, for whom no alternative employment could be found, from falling into complete destitution. This policy was necessary, since there was not enough industry to absorb the surplus people from the land, but it naturally added to the difficulties of Hungarian agriculture, since, however low the wages that were paid, they yet formed a heavy charge on the landlord's balance-sheet. Since the outbreak of the present war, this had led to a new difficulty. Much of the labour has been drawn off for military service or by the needs of munition industries, but Hungary has not been able to manufacture, or to buy from Germany, the machines necessary to replace the old hand-labour. Agriculture has therefore, been suffering from a severe shortage of labour, which has affected the whole of production.

THE STANDARD OF LIVING. The living standards of the smaller peasants and of most of the agricultural labourers are extremely low. Their cottages look picturesque, but their walls of sun-dried

9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

342 brick, earthen floors and thatched roofs make them
511 damp and unhealthy. The peasants eat very simply and the poorest among them, the seasonal labourers, are often literally half-starving during the months before harvest.

511 This can be paralleled in many other countries
464 of Central and Eastern Europe, for in most of those countries all standards are far below those obtaining in Britain. Indeed, owing to the fertility of the Hungarian soil, even the poorest classes there still live better than the inhabitants of many other districts, especially those of the barren, rocky parts of the Balkans. In fact, the whole of Eastern Europe suffers from the same root evil of overcrowding on the land. In the past hundred years the population has increased very rapidly. While in Western Europe, when the same increase took place, the new industries were able to absorb the workers for whom there was no room on the land, in Eastern Europe, where capital was scarce, industry developed more slowly, and could only give employment to a small proportion of the growing country population. Before the last war there was
[167] a very large emigration to America from all the East European countries, including Hungary, but for the past twenty years the United States have admitted few immigrants. This is perhaps the chief reason why the position has continued to grow worse, although the falling birth-rate and the rather faster development of industry have brought some relief.

565 **SOCIAL INFERIORITY OF THE PEASANTRY.** Where
423 the Hungarian small peasant or labourer is so

THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

000 1949. This was still about 15 percent below the 1943 figure.

●511 If adjustments are made for inflation, heavy investments, and inventory increases—not to mention such unknown but very important negative factors as rearmament and unfavorable terms of trade with the Soviet Union—it is safe to state that the Hungarian standard of living in 1949 remained considerably below the 1938 level, not withstanding official claims to the contrary, and that goods actually available to consumers remained well below the prewar level.

185
471 The plan was "overfulfilled" in its political aspects. The nationalized sector reached 84 percent in transportation, 78 percent in industry, and 59 percent in distribution. In agriculture all forests became state property and the basis of the kolkhoz system was established.

The Five-Year Plan of 1950

185 As the speeded-up Three-Year Plan was nearing completion, late in 1949, the proposed outlines of a new plan were published. Originally 35 to 37 billion forints were mentioned, but by the time the plan was passed by Parliament the figures had been revised upward to 50.9 billion forints. The Five-Year Plan of 1950, as the second communist plan was officially designated, was overhauled once more in May 1951 to conform more closely to the Five-Year Plan of the Soviet Union and to the various plans of the neighboring satellite nations.

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454 This revision upped the total investment to 85 billion forints. These repeated increases in the total volume of investment were partly due to a progressing inflation, and partly to the increases actually needed for the fulfillment of the revised plan. According to calculations made by the United Nations Economic Commission for Europe, total investment (in constant-January 1947 forints) amounted to 2 billion or 10.6 percent of the national income in 1947/48; 4.47 billion or 17.9 percent in 1949;

[pp. 1-2 contain no textual material]

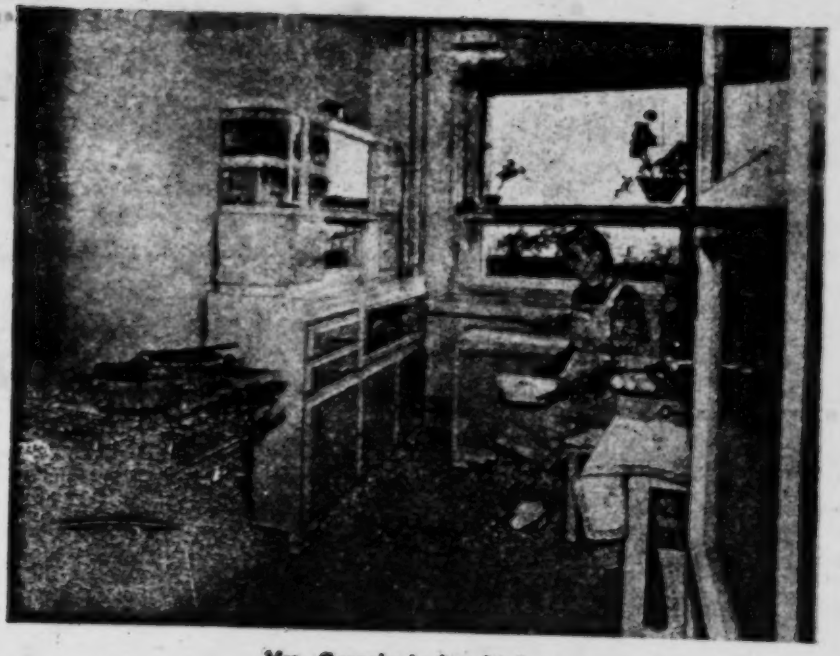
361 511 Ferenc Gergely, an iron worker, is a resident of Budapest. He lives in the XIIIth district of the Hungarian capital, at No. 1 Peace Avenue. Not quite a decade ago, this part of the city was just a sorely neglected suburb. Ferenc Gergely himself was hardly able to keep body and soul together when he moved here sometime during the years between the two world wars. He remembers it very vividly: His entire wealth, everything portable which belonged to him, found ample room in the small hand-cart he and his wife pulled along the shabby suburban streets.

Much has changed since then. Ferenc Gergely's life has changed, and so have the lives of hundreds of thousands of his fellow workers; the face of this onetime shabby suburb has changed, and so has the face of the entire town, the entire country.

362

Ferenc Gergely, lathe operator.

Instead of their former crowded and dirty subleased room, Ferenc Gergely and his family now occupy a modern two-room apartment in one of the workers' apartment houses recently built on Peace Avenue. The rooms are large and bright, the kitchen roomy and attractive, the bathroom tiled and sparklingly clean. There is a pantry and a nice little foyer, central heating in the winter and



Mrs. Gergely in her kitchen.

352 And, to come back to the Gergely family, if they should
511 decide one day to move, even a large moving van would prove too small to transport all their belongings. There is the furniture of the two rooms, the kitchen furniture, a sewing machine, a radio, plenty of household utensils and crockery, curtains, carpets, pictures and books and the two children's things. Ferenc Gergely smiles, thinking of the many things he has purchased in the course of the last four to five years. He remembers the days when he had but one shirt and had to wait, shirtless, while his wife laundered it. Today the cupboards are full of clothes, underwear and linen.

The smile lighting up Ferenc Gergely's face whenever he remembers these things is not merely one of serene satisfaction. There is a shade of self-consciousness in it and a shade of militant pride because all this was not so easy to achieve. None of it fell, like a gift, into his

planned social policy of bolder conception and projecting into the future could be instituted.

Social progress was obstructed also by other difficulties. The Government of Hungary consistently endeavoured to raise the living standards of the people. Several circumstances, beyond the control of political leadership, occasionally thwarted such efforts. When the period marked by the aforementioned economic boycott came to an end, several waves of depression swept over Europe, and by these Hungary was always seriously affected.

The liquidation of the post-war inflation was done under the financial supervision of the League of Nations, which meant that we did not enjoy full financial sovereignty. The same thing took place a second time after 1931 when the Central European economic and financial credit crisis occasioned new control. In spite of the exceptionally adverse conditions Hungary did not halt on her way to social advancement, but from the beginning the interests of social welfare constituted the key-note of her efforts to harmonize her economic and political life. In the enactment of all laws in the economic and financial sphere, social problems were given foremost consideration at all times during the past twenty years.

The march of social advancement was retarded at intervals by the world-wide depression, and therefore social conditions in Hungary could not progress all along the line as rapidly as was desired by the Government. Nevertheless the achievements have been great. In several respects, as we shall see, the social reforms were far in advance of those undertaken by larger and more wealthy nations, while again they can be considered as trail-blazers in some of their implications.

2/7 [cf., category 116, p.8 - - Analyst]

362 depression and again later in consequence of the war-time shortage of materials for building. During the depression the aforementioned credit schemes and tax exemptions helped the expansion of building programmes. Since the beginning of the war a specially created board and numerous bylaws regulate the allotment of living space according to priority of socially justifiable claims. To-day the building programme is centred on defence projects, family welfare and social service housing.

Widespread social projects.

657 We may briefly mention here those socially important
511 projects of the Government which aim at the improvement of the general health and proper diet of the farmers who constitute the majority of our population. For instance, the Government ordered the free distribution of sugar among certain sections of the agrarian community who had previously been without it. In poorer farm districts the Government distributes large quantities of sugar among children and nursing mothers. We shall discuss in another chapter free meals in rural schools, public health medical service to agrarian families, expectant mothers and infants; also marriage grants to farm labourers.

Churches and Societies.

747 We have given only a brief outline of the public welfare policy, which, although it expresses the social consciousness of the state and its will to further social advancement, paints only a one-sided picture of the country's social efforts as a whole. To complete the picture, mention should be made of the extensive welfare work done by different private social organizations, the Christian Chur-

[cf. category 116, pp. 23–30 --- Analyst]